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Bad loans of state-run banks double in 15 months

By IANS | Aug 24, 2016, 10:37 PM IST

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MUMBAI: The gross non-performing assets (NPAs), or bad loans, of India's state-run banks, measured as a percentage of their advances, have ballooned from 5.4 per cent as on March 2015 to 11.3 per cent 15 months later, as per latest data available with the central bank.

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In contrast, such bad loans of private banks and foreign entities in the industry, rose in a relatively less dramatic manner -- from 2.2 per cent to 2.8 per cent for the former and from 3.2 per cent to 3.7 per cent for the latter.

The data was available with [Reserve Bank of India](#) Deputy Governor S.S. [Mundra](#) at a conference on banking sector reforms here.

Taking into consideration the loans that have been restructured -- that is a recast of the modalities including repayment and interest -- the total stressed advances of state-run banks stood at a whopping 15.4 per cent of their gross advances as in June this year.

As per the presentation by the Deputy Governor, the state-run banks also had dismal bottomlines. As against a net profit of Rs 30,869 crore in March 2015, they incurred a net loss of Rs 20,006 crore a year later.

During this period, the net profit of private banks registered a growth from Rs 35,832 crore to Rs 39,672 crore. While foreign banks also made a total net profit, it came down from Rs 12,764 crore to Rs 12,619 crore.

Mundra said that post initiation of the banking reforms in 1991, the banks' balance sheets were much stronger and NPAs had come down from the peak of around 12 per cent to slightly over 2 per cent by the year 2008.

But after that two developments happened -- global financial crisis and introduction of the PPP (public-private partnership) model in infrastructure building, he said.

"Banks were enthusiastic, rather major partners, in the PPP model, supported by accommodative fiscal and easy monetary policies, but it got plagued," he added.

Weak governance, lax [underwriting](#), high corporate leverage and policy logjams led to the current scene of stressed assets in the banking sector, Mundra said.

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